

Message Text

CONFIDENTIAL

PAGE 01 MUSCAT 00629 01 OF 02 220716Z

11

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 IO-13 SAM-01 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

AGR-05 INT-05 FEA-01 /121 W
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R 220600Z MAY 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 2148

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY SANA

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 1 OF 2 MUSCAT 0629

FROM AMBASSADOR

E.O. 11652: GDS

TAGS: PFOR, EGEN, MILI, MU

SUBJECT: VIEWS OF SULTAN QABOOS ON OMAN DEVELOPMENTS AND SOUTH
ARABIAN SCENE

1. SUMMARY. SULTAN QABOOS' HIGH SPIRITS ABOUT OMAN'S GENERAL
SITUATION MATCHED THE 120 DEGREE TEMPERATURE OUTSIDE DURING
AMBASSADOR'S 45-MINUTE AUDIENCE MAY 19 AT SEEB PALACE. HN
WAS PROUD OF OMAN'S RECOVERY FROM 1975 FINANCIAL PROBLEMS
AND EXPANSIVE ABOUT THE FUTURE IN TERMS OF OIL PRODUCTION AND
REVENUES, EDUCATIONAL PROGRESS, COPPER PROSPECTS AND FISHING
POTENTIAL. HE EXPRESSED MODERATE SATISFACTION WITH PDRY'S
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PAGE 02 MUSCAT 00629 01 OF 02 220716Z

RESPONSIVENESS TO CONDITIONS PLACED ON IT BY SAUDIS IN MARCH

1976 AGREEMENT BETWEEN RIYADH AND ADEN, BUT OBVIOUSLY FEELS "JURY IS STILL OUT." SAID HE PLANS TALK WITH SHAH IN JUNE ABOUT FUTURE AREAS OF COOPERATION WITH IRAN, IN WHOM HE OBVIOUSLY PLACES MUCH TRUST. DOMESTICALLY, LACK OF PROGRESS IN AGRICULTURE BUGS HIM, BUT HE DOES NOT KNOW WHAT TO DO ABOUT IT. SULTAN ASKED WHETHER IT MIGHT BE POSSIBLE FOR OMAN TO BUY THREE C-130 TRANSPORT AIRCRAFT. END SUMMARY.

2. NEAR BEGINNING OF AMBASSADOR'S MAY 19 AUDIENCE WITH THE SULTAN, HE MENTIONED FORTHCOMING CONSULTATION IN WASHINGTON NEXT WEEK AND SAID IT WOULD BE VALUABLE TO CARRY BACK HM'S PERSONAL COMMENTS ON OMANI DOMESTIC SCENE AND ON RELATIONS WITH HIS NEIGHBORS AT THIS STAGE. SULTAN OBLIGED WITH RUNNING COMMENTARY REPORTED BELOW.

3. SULTAN SAID FINANCES ARE MUCH BETTER THAN A YEAR AGO. THE BANKERS WHO HAD COME UP WITH HELPFUL RECOMMENDATIONS IN EARLY 1975 WHEN OMAN HIT BY CASH FLOW CRISIS HAD VISITED HM RECENTLY AND WERE FULL OF PRAISE FOR ACTION TAKEN IN LIMITING AND COORDINATING EXPENDITURES. TRUE THERE WOULD BE A SMALL DEFICIT THIS YEAR, BUT IT IS INCONSEQUENTIAL. OIL INCOME IS UP CONSIDERABLY AND HM IS OPTIMISTIC ABOUT MEDIUM TERM BENEFITS FROM NEW FIELDS IN EASTERN DHOFAR BEING PREPARED FOR PRODUCTION BY PDO. ALSO, ELF-ERAP'S INITIAL WELL AND OTHER TESTS OFFSHORE MUSANDAM HAVE PROVEN FEASIBILITY OF PROFITABLE NEW OIL PRODUCTION THERE WHICH WILL BE SHARED WITH IRAN. SULTAN HAS HIGH HOPES FOR SUN OIL IN THE SOUTH (OFFSHORE) AND FOR ANOTHER AMERICAN FIRM, QUINTANA, IN THE NORTHERN INTERIOR.

4. HM POINTED TO COPPER AND FISHING AS CERTAIN SOURCES OF NEW INCOME. WITH THE COPPER IT NOW IS MAINLY A QUESTION OF FINDING SOURCES TO HELP WITH HEAVY CAPITAL INVESTMENT NEEDED. "SOME TELL ME I AM SITTING ON A COPPER EMPIRE." HE SAID. HM SAID HE HAD RELUCTANTLY AGREED TO THE RECENT FISHING COMPACT WITH A JAPANESE COMPANY, SINCE JAPANESE HAD BEEN "STEALING" OMAN'S FISHING RESOURCES RIGHT ALONG. BUT HE CLAIMED OMAN WILL RECEIVE REVENUES OF R.O. 6 MILLION IN FIRST YEAR ALONE FROM THIS JAPANESE VENTURE EVEN THOUGH CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUSCAT 00629 01 OF 02 220716Z

IT IS LIMITED TO A SMALL PORTION OF COUNTRY'S POTENTIAL GROUNDS.

5. SULTAN GLOWED WHEN TALKING ABOUT EDUCATION, BUT GLOWERED IN DISCUSSING AGRICULTURE. HE PRAISED PAST PROGRESS IN BUILDING SCHOOLS AROUND OMAN, THOUGH SAYING PAST EDUCATION MINISTERS LEFT MUCH TO BE DESIRED IN IMAGINATION AND DRIVE. HE WAS FULSOME IN PRAISE OF NEW MINISTER AHMAD GHAZILI,

SAYING HE "THINKS EXACTLY THE WAY I DO" AND HAS EXCITING PLANS FOR BUILDING A SECONDARY SCHOOL SYSTEM AND FOR TECHNICAL EDUCATION. ON THE OTHER HAND, AGRICULTURE HAS BEEN GREAT DISAPPOINTMENT; DESPITE LOTS OF THRASHING AROUND AND DEVOTION OF RESOURCES TO THIS SECTOR, IT HAS LANGUISHED ALMOST COMPLETELY. HN SAID HE DOES NOT KNOW WHAT ANSWER IS, BUT STRONGER EFFORTS MUST BE MADE.

6. IN DHOFAR MOUNTAINS, SAID HM, DEVELOPMENT EMPHASIS WILL BE ON CATTLE INDUSTRY WITH ANY THOUGHT OF PLANTATION CROPS THERE ABANDONED. HE NOTED THAT REPS FROM SAUDI ARABIS'S ARAB DEVELOPMENT FUND HAVE FINALLY ARRIVED AND HE HAS NOT GIVEN UP HOPE OF AID FROM RIYADH FOR DHOFAR DEVELOPMENT, THOUGH CUSTOMARY SAUDI SLOWNESS IS DISHEARTENING. HE EXPECTS THAT IN TIME DHOFAR ECONOMY WILL GAIN NOTABLY FROM OIL ACTIVITY AND EMPLOYMENT, JUST AS WILL BE THE CASE IN MUSANDAM ONCE ELF-ERAP BECOMES GEARED UP. ALL IN ALL, HE SAID, IMMEDIATE FUTURE CAN BE PICTURED AS BRIGHT, MEDIUM-TERM AS FULL OF ENCOURAGING SIGNS, AND LONG-TERM AS REASONABLY OPTIMISTIC PROVIDED EDUCATION LEVELS CAN BE RAISED AND TECHICAL SKILLS ABSORBED.

7. SULTAN SPOKE IN PARTICULARLY DETERMINED FASHION WHEN MENTIONING THAT SOME CRITICS SAY THERE ARE TOO MANY PRESTIGE PROJECTS. HE STRONGLY DISAGREED. MANY THINGS HAD TO BE BUILT, WOULD COST MUCH MORE IF DELAYED EVEN A FEW YEARS. HE DEFENDED NEW DESALTING POWER PLANT THOUGH ADMITTING MISTAKES HAD BEEN MADE IN IT. ALSO IN SOMEWHAT DEFENSIVE TONE HE SPOKE OF BAC AIR DEFENSE SYSTEM, ASSERTING HE HAS LOOKED INTO IT CAREFULLY BECAUSE OF ESCALATING COSTS AND HAS RECENTLY SET A FIRM UPPER LIMIT FOR EXPENDITURE ON IT (DID NOT GIVE THE FIGURE). THOUGH ONLY SOUTH YEMEN WAS A POSSIBLE THREAT AT PRESENT, HE

CONFIDENTIAL

PAGE 04 MUSCAT 00629 01 OF 02 220716Z

SAID, HE BELIEVED A FIRM DEFENSIVE POSTURE ESSENTIAL IF HE IS TO DEAL ON SATISFACTORY BASIS WITH ALL HIS NEIGHBORS.

8. CONTINUING ON PDRY, HM EXPRESSED GENERAL SATISFACTION WITH WAY IN WHICH PDRY HAS RESPONDED TO NEW RELATIONSHIPS

3STABLISHED WITH SAUDIS IN EARY MARCH. SAID NO SHELLING HAS OCCURRED ALONG BORDER FOR THREE WEEKS NOW, AND HE THINKS CENTRAL GOVERNMENT IN ADEN WAS SAT ON PFLO HARD-LINERS FAIRLY HARD ALTHOUGH SOME FRESH AMMO MAY BE REACHING TROUBLEMAKERS ALONG BORDER DESPITE THIS. HE IS CONCERNED, HOWEVER, BY VERY RECENT INTELLIGENCE REPORT FROM USUALLY RELIABLE SOURCE INDICATING A SAUDI VISITOR TO ADEN HAS SUGGESTED SAUDIS WILL PROVIDE MONEY FOR ALL PDRY MILITARY SALARIES. HE FINDS THIS, IF TRUE, QUITE INCONGRUOUS -

AND ASKED IF WE HAD HEARD SAME THING.

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PAGE 01 MUSCAT 00629 02 OF 02 220724Z

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C O N F I D E N T I A L SECTION 2 OF 2 MUSCAT 0629

9. ASKED WHAT HE FORESAW IN RELATIONS WITH IRAN NOW THAT WAR IS OVER, SULTAN REPLIED HE WOULD BE EXCHANGING IDEAS ON THIS WITH SHAH IN IRAN NEXT MONTH. HE SAID THE "TWO THOUSAND OR SO" IRANIAN TROOPS IN DHOFAR WOULD REMAIN FOR SOME TIME, FOR HE BELIEVED IN KEEPING UP HIS GUARD FOR SUFFICIENT TIME TO BE MORE CONFIDENT OF PDRY INTENTIONS. SHOULD PRESSURE BUILD UP TO ASK FOR IRANIANS TO GO, HE COULD ALWAYS POINT PUBLICLY TO THE CUBANS IN PDRY. HE THOUGHT SCOPE FOR FUTURE COOPERATION WITH IRAN WAS EXTENSIVE: PERHAPS IN FISHERIES, IMPORTATION OF SOME SPECIALIZED AGRICULTURAL WORKERS, OIL PRODUCTION OFF MUSANDAM, ETC. "I FIND MYSELF COMPLETELY AT EASE ABOUT THE IRANIANS, MORE SO THAN ABOUT SOME ARABS" HE CONFIDED.

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PAGE 02 MUSCAT 00629 02 OF 02 220724Z

10. REACTING TO AMBASSADOR'S COMMENT THAT OBVIOUSLY THE SUPPORT RENDERED BY SEVERAL FRIENDLY STATES IN HIS REGION HAD BEEN GREAT HELP IN WINNING DHOFAR WAR, HM AFFIRMED THIS WAS SO AND THAT EVERYTHING HAD BEEN WELCOMED. THIS WOULD CONTINUE TO BE CASE, HE SAID, THOUGH ONE MUST NOT EXPECT OMAN TO GO AROUND HAT IN HAND. SULTAN SAID FIRMLY THIS SIMPLY WAS NOT HIS NATURE, NOR DID OMAN'S SITUATION DEMAND SUCH A POSTURE. BUT OMAN WILL BE GRATEFUL WHENEVER ITS FRIEND WHO KNOW THE SITUATION OF THIS COUNTRY THAT GOT SUCH A LATE START ON MODERNIZATION, WANT TO CHIP IN IN SOME APPROPRIATE METHOD.

11. HM RESERVED HIS ONE REQUEST TO THE END. HE ASKED IF AMBASSADOR WOULD SOUND OUT THE POSSIBILITY OF OMAN BUYING C-130 TRANSPORT AIRCRAFT FOR ITS AIR FORCE. SAID IRANIAN C-130S HAD IMPRESSED OMANIS GREATLY, AND IF THERE IS PRACTICAL PROSPECT OF PURCHASING ABOUT THREE, WITH PAYMENTS SPREAD OVER A FEW YEARS, HE WOULD GIVE THE IDEA SERIOUS CONSIDERATION. AMBASSADOR AGREED TO TEST GROUND FOR THIS WHILE IN DEPARTMENT.

12. COMMENT. HM WAS RELAXED AND A MITE MORE CHEERFUL THAN USUAL. HE OBVIOUSLY IS CONVINCED OMAN'S ECONOMY AND DEVELOPMENT WILL CONTINUE TO MOVE AHEAD RAPIDLY. IT SEEMS APPARENT THAT IF HE COULD HAVE ONE WISH ON THE INTERNAL SCENE, IT WOULD BE TO FIND SOMEONE TO WORK SOME MODEST MIRACLES GIVINGOMANI AGRICULTURE A PUSH AHEAD. THOUGH HE WAS APPROPRIATELY JUDICIOUS IN REMARKS ABOUT THE SAUDIS, HM CLEARLY IS IRKED BY THEIR TRADITIONAL SLOWNESS. HE REMAINS COMPLETELY CONFIDENT OF THE SHAH'S GOOD INTENTIONS.
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